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How Can Sellers Earn Loyalty of Online Shoppers?

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ABSTRACT

In this study we propose that the value provided by an online shopping site will impact the loyalty of online shoppers. However, we also suggest that the utilitarian value provided by the site will have a higher impact on the consumers' repetitive shopping at the site when compared with the hedonic and social values. However, once the utilitarian value is provided at a satisfactory level both hedonic and social values provided by the shopping site will have a higher impact on consumer loyalty. We test this model with actual online shoppers and found overall support for the model. These findings have useful implications for sellers in designing and upgrading their shopping websites.

Keywords

Loyalty of Online Shoppers, Utilitarian Value, Hedonic Value, Social Value

INTRODUCTION

Based on a review of in-store shopping literature we suggest that there are three types of values provided by a shopping website to its consumers – hedonic, utilitarian and social. Further, taking cues from value literature we expect that all three types of value will positively impact consumer loyalty (CL). However, while the role of both utilitarian and hedonic shopping values have been explored in the context of online shopping, the role of social value of online shopping has not been investigated.

In this article, we suggest that online shopping can also provide social benefits. Consumers often share their online shopping experiences with each other and are sometimes known to do online shopping together with friends. In addition, consumers may identify with the shopping websites and the symbolic value it represents. Symbolic value fulfills intrinsic consumer need for personal and group identity (Smith and Colgate, 2007).

We also propose that that the primary value that consumers seek from online shopping is utilitarian value (UV). Hence we propose that UV will have a higher direct impact on CL than hedonic value (HV) and social value (SV) provided by the website to the consumer. Further, we argue that UV will moderate the impact of SV and HV on CL such that after a satisfactory value of UV is provided by the website, HV and SV will have a higher impact on CL than at low UV.

We test these hypotheses with 172 young online shoppers. Overall the hypotheses were supported by the 431 data points provided by the subjects. The findings of the study have useful implications for online sellers in designing online shopping website. In addition, the study provides insight into new areas of potential research in the area of online shopping. These implications for practitioners and researchers in the domain are discussed in the contribution section.

LITERATURE REVIEW

A review of literature shows that earlier in-store shopping research focused on shopper's utilitarian needs (Babin et al., 1994). Utilitarian consumer behavior is described from a functional or task-related standpoint and may be thought of as accomplishment of "work" (Babin et al., 1994). Consumers derive UV when the shopping mission or tasks are accomplished efficiently (Sherry et al., 1993). Later research established that consumption can take place for hedonic reasons too (Hirschman and Holbrook, 1982; Lim and Ang, 2008). Consumers often shop because they enjoy shopping and not just for accomplishing a mission or goals. Babin et al. (1994) in an empirical study found that HV unlike UV can influence unplanned shopping behavior.

However, while HV and the UV of shopping are well researched in online shopping literature, less attention has been focused on social value (SV) of shopping. The in-store shoppers also view shopping as a social outing and a way to bond with family and friends (Arnold and Reynolds, 2003). Additionally, patronizing a particular store or buying a particular product represents a way in which the consumer wants to see herself or be seen by others (Sheth et al., 1991; Sirgy et al., 2000; Sweeney and Soutar, 2001) and can serve as a vehicle for status enhancement by communicating "signs of position or membership to others" (Rintamaki et al., 2006). 10. For example, buying clothes at Zara creates the impression of being "cool" and buying luxury goods at Cartier is a symbol of status and prestige. Further, consumers are known to identify themselves in relation to other consumers or group of consumers (Bagozzi, 2007; Kelman, 1974). "When I go to Starbucks, I am part of a closed club of aficionados even if I don't interact with any" (Aaker, 2009). Thus retail shopping experience can

also be used by individuals in enhancing self-esteem as well as assigning social identity and status to themselves as well as others (Belk, 1988; Solomon, 1983).

One can expect online shopping will also provide self-esteem and status benefits to its consumers. By sharing their online shopping experience consumers can enhance their own self esteem as well as status within the desired community of consumers. Self-esteem and status can provide immense psychological and emotional benefits to the consumer. Status is often pursued by consumers as an ego reward (Emerson, 1962), or a source of gratifying social contract (Homans, 1950) and serves as a psychological asset (Fornbrun, 2001). In addition, enhanced status can be used by consumers to seek economic and social advantage. However, there are gaps in the current literature. The relevance of social value of online shopping in building consumers' self-identity and social status has not been investigated. Further, neither in-store nor online shopping literature considers the interrelationship between these values as they impact the loyalty of shoppers. In this study we develop a theoretical model to address these gaps in literature and test the complex relationships between the various values provided by the product and their impact on consumer loyalty.

HYPOTHESES DEVELOPMENT

In the consumer behavior literature the value provided by the product is suggested to lead directly to favorable outcomes such as behavioral intentions (BI) to purchase, use or remain loyal to a product or service (e.g., Cronin et al., 1997; Sirohi, McLaughlin, and Wittink, 1998; Sweeney, Soutar, and Johnson, 1999; Wakefield and Barnes, 1996; Holbrook, 1994; Yang and Peterson, 2004). Sirdeshmukh, Singh and Sabol (2002) argue that customer value is a superordinate goal and behavioral intention is a subordinate goal. According to goal and action identity theories, a superordinate goal is likely to regulate subordinate goals.

Thus, "customer value regulates behavioral intentions toward the service provider as long as a product or service provides superior value" (Sirdeshmukh et al., 2002, p. 21). Further, loyalty is the result of the individual's belief that the value received from consuming a product or service is greater than the value of non-consuming (Hallowell, 1996). In response to this greater value obtained, the individual is motivated to remain loyal to the product, and also promote it by, for instance, positive WOM (Word-of-Mouth) behaviors (Luis, Carlos and Migue, 2008).

The UV that the consumer derives from online shopping is the degree to which it helps her achieve functional and practical goals. The HV that the consumer derives from online shopping is the degree to which it gives her pleasure, enjoyment or fun. The SV that consumers derive from online shopping is the extent to which it provides both self-esteem and status benefits to the consumers. Thus, UV, SV and HV are antecedents of CL. The greater the UV, SV and HV derived by the consumer of the software product the greater will be their impact on CL. All three values provided by the software product, SV, UV and HV, will therefore significantly and positively impact CL, leading us to the following hypothesis:

Hypothesis 1: The CL to an online shopping site will be positively influenced by the perceived UV, HV and SV derived from the site by the consumer

In the context of UV and HV, the work of Higgins (2001), Chernev (2004), and Chitturi, Raghunathan and Mahajan (2007), indicate that the goals served by utilitarian benefits are primarily to avoid pain, whereas the goals served by hedonic benefits are primarily to seek pleasure. As Keiningham and Vavra (2001, p. 176) state, "Creating delight for your customers first requires knowing and eliminating their points of pain, and then listening to their desires." Chitturi, Raghunathan and Mahajan (2007) document that consumers attach greater importance to the hedonic (versus utilitarian) dimension, but only after a "necessary" level of functionality are satisfied.

This is consistent with Kivetz and Simonson (2002), who state that, utilitarian and hedonic dimensions are conceptually related to necessities and luxuries respectively. Social scientists generally agree that, compared to necessities, luxuries hold a lower status in terms of importance (e.g., Berry 1994; Maslow 1970; Weber 1998). A predilection towards a hedonic alternative at the cost of functional performance is likely to raise concerns that one is being extravagant or frivolous, resulting in feelings of guilt (Kivetz and Simonson 2002). Although, hedonic features generate pleasure and joy, Kivetz and Simonson (2002a) note that consumers attach greater weight to the utilitarian (versus hedonic) dimension, unless they believe that they have "earned the right to indulge."

Berry (1994) proposes a "principle of precedence" to argue that there is a moral obligation to fulfil needs first, before looking to fulfil luxuries. Until the consumer is satisfied that the required level of functionality is provided for in the product, she will prefer utilitarian features over hedonic. It allows her to avoid feeling guilty and puts her on a "safer ground" in justifying her decision. Customers thus pay little attention to hedonic characteristics before functional requirements are met. But, once functional requirements are met, consumers become interested in maximizing hedonic quality (Chitturi, 2003). Thus we

expect UV to moderate the impact of HV on CL. At lower UV we do not expect significant impact of HV on CL. But at higher UV, we expect HV will have a significantly higher impact on CL.

Norman's (1998) predicted that once a software product provides the required features at ever decreasing prices, considerations of convenience and reliability, and, later, of appearance and symbolic ownership, will become more important. Norman (1998) had based his predictions on the observation that watches after accomplishing the requisite functional, reliability and durability needs of the consumer (UV) are now sold as objects of fashion, emotion and status (HV and SV). Initially the watch makers had focused entirely on accuracy of time keeping, introducing newer features such as date, month and year and making watches more durable such as through water proofing. However, today watch makers focus on attractive design and styling and sell watches as jewelry items. To the consumers watches represent objects of fashion, emotion and status. In line with this reasoning, we suggest that once the UV is provided by online shopping at a satisfactory level, HV and SV will become more important to the consumers than UV, leading us to the following hypothesis:

Hypothesis 2: The UV derived by the consumer from an online shopping site will moderate the impact of SV and HV such that at low levels of UV their impact on CL will be lower than at high levels of UV

METHOD

Study Setting and Design

An Experimental method was adopted in the study. Experimental research is a useful method for examining cause and effect. It offers a methodical way of comparing differences in the effect of treatments (such as perceived value provided by the software product to the consumers) on the dependent variable (CL to the online shopping site). Actual online shoppers participated in the study. Each randomly chosen subject in the study answered a questionnaire based survey that captures data on demographics and relevant independent variables, dependent variable and control variables. The shoppers provided their responses on all online shopping sites they used for purchasing goods in the past 6 months. In all 172 subjects provided a total of 431 responses to the survey.

Subjects

The subjects were recruited from a large public university. The college of business of this university encourages research exposure by awarding students extra credit for research exposure. An email was sent randomly to 200 students of the college of business from among its 2300 students inviting them to participate in the study. We received a total of 181 responses. Based on this response we invited all 181 students to participate in the study. Among those invited to participate 172 actually participated in the study.

Measures Used

Tested measures were used to capture data pertaining to HV, SV, UV and CL. Rintamaki et al. (2006) measures were used for HV, SV and UV and Casaló, Flavián and Guinalíu (2008) measure was used for CL. All measures used a 9-point Likert scale with anchors of 9 (strongly agree) and 1 (strongly disagree) in line with the recommendation that increasing the number of choice-points increases scale sensitivity without damaging scale reliability (Cummins and Gullone, 2000). Responses were coded such that high levels of the constructs are represented by high values. Some items were reverse coded. The overall value for each construct was created by averaging the subject responses.

Control Procedures

Extraneous variables such as age, gender and length of use experience were controlled for in the analysis of subject responses. Studies have shown that HV impacts females and males differently (Gefen and Straub, 1997; Venkatesh, Morris, and Ackerman, 2000; Wu and Lu, 2013). Further, younger men tend to seek greater novelty and innovativeness in the early stages of using a new technology (e.g., Chau and Hui, 1998) such as a software product. Thus age and gender may impact the assessment of HV derived from the use of software. Additionally, length of use experience may impact CL. If the consumer derives value from using an online shopping site it becomes increasingly important to him due to habitual use behavior. When a behavior has been performed many times in the past, subsequent behavior increasingly becomes under the control of an automated cognitive process (Aarts, Verplanken and van Knippenberg, 1998). Consumers form favorable intentions about acts they have frequently performed in the past (Ouellette and Wood, 1998), such as repeated use of the online shopping site, making them increasing dependent on the habit (Gefen, 2003) thereby enhancing their CL.

Method of Analyses

Factor analysis was performed on the data set obtained from the subjects to establish that validity and reliability of the measures used in the study. Further, the correlation matrix and internal reliabilities of the measures were also examined. The widely recommended Moderated Hierarchical Multiple Regression (MHMR) was used for testing the direct and interaction

effects of independent variables (Cortina, 1993; Cohen, 1978; Dunlap and Kemery, 1987; Stone and Hollenbeck, 1989). MHMR reveals how well each independent variable predicts the dependent variable, after extracting variance due to other independent and control variables in the regression equation and interaction effects after extracting variance due to independent and control variables.

In the first step of MHMR analysis gender, age and length of use experience of subjects were included, followed by UV in the second step, HV in the third step, SV in the fourth step and the interaction terms of the three values, UV*HV, UV*SV and HV*SV were introduced in the fifth and final step. The interaction effect is present if significant variance in the dependent variable is explained by the interaction terms over and above the variance explained by the control variables and the direct effect of the predictor variables (Cortina, 1993). For analyzing the individual interactions, such as for example UV*HV, we performed a simple slope test as recommended by Aiken and West (2001). Further we also conducted a slope difference test suggested by Dawson and Richter (2006) to determine if the difference in slopes calculated by the Aiken and West (2001) method at 1 standard deviation (1SD) above mean and 1 standard deviation (1 SD) below mean of the moderating variable is significant.

RESULTS AND ANALYSES

The results of the factor analysis using IBM© SPSS© Statistics Version 19 show that the factors extracted using Varimax rotation represented the scales used in the study (the UV scale represented by items U1 to U6, the HV scale represented by items H1 to H6, the SV scale represented by items S1 to S6, and the CL scale represented by items L1 to L3. The high loadings (>.50) within factors demonstrated convergent validity of items within scales, and the no cross loadings (>.40) between factors demonstrated discriminant validity between scales. The internal reliabilities of all the scales used in the study were greater than .70 (see Table 1). Further none of the inter-correlations between the scales were greater than .65 (Tables 2, 3 and 4).

Name of the scale	Cronbach's Alpha	Number of Items
Utilitarian Value (UV)	0.94	6
Hedonic Value (HV)	0.91	6
Social Value (SV)	0.82	6
Consumer Loyalty (CL)	0.88	3

Table 1. Internal Reliability of Scales

	UV	HV	SV	CL
UV	1.00			
HV	.21	1.00		
SV	.15	.25*	1.00	
CL	.32*	.30*	.24*	1.00

* $p < .05$

Table 2. Correlations between variables

The direct impacts of UV, HV and HV on CL was supported by MHMR analyses (see Table 3), thereby supporting Hypothesis 1. The direct impact of UV on CL was found to be higher than the direct impact of HV and SV. The moderating effect of UV on the impact of HV and SV provided by the online shopping site to the consumers on their loyalty was also supported by MHMR analysis. The interaction terms in Step 4 (Table 3) show a significant increase in variance explained over and above those explained by the control variables and the main effects of UV, HV and SV by the interaction terms UV*HV and UV*SV. The significant (p=0.05) difference in impacts of SV on CL at low UV (1 SD below mean) and high (1 SD above mean) levels of UV (B=0.08, B=0.16) and of HV at low and high levels of UV (B=-0.07, B=0.31) supported Hypothesis 2. No significant interaction was found between HV*SV on their impact on CL.

Step	Variables added in each step	Change in R- Square
1	Control: Gender, Age, Experience,	0.09*
2	Main Effect: UV	0.15*
3	Main Effect: HV	0.09*
4	Main Effect: SV	0.08*
5	Interaction Effect (UV*HV, UV*SV, HV*SV)	0.25*

* P < .05

Table 3. MHMR for impacts of UV, HV and SV on CL

CONTRIBUTION

The study findings make multiple contributions to online shopping literature. They show, perhaps for the first time, that SV of online shopping sites have a significant direct impact on CL. Although UV of an online shopping site had the maximum impact on CL explaining 15% of its variance SV also explained a significant 8% of the variance in CL. Further SV had a significant indirect impact on CL at high level of UV, Thus designers of online shopping sites should focus on providing all three types of values, UV, SV and HV, to its consumers to maximize CL. However, priority should be given to UV. Not only does it have the maximum direct impact on CL, at low levels of UV increasing SV and HV had a non-significant impact on CL. However, once higher levels of UV are reached the impacts of SV and HV on CL become salient.

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